



(NR TWG 05/09/16) Minutes – Meeting of Technical Working Group on Needs & Redistribution

Title: **Needs & Redistribution Technical Working Group**

Date: **Thursday 10 November 2016**

Venue: **Department for Communities and Local Government | Fry Building | 2
Marsham Street | Westminster | London | SW1P 4DF**

1. Attendance

1.1. An attendance list is attached as Annex A to this note.

2. Welcome and Introductions

2.1. After an initial round of introductions, the Chair welcomed attendees to the seventh meeting of the Group.

3. Verbal update – pilot schemes

3.1. DCLG delivered a short verbal update on the areas which will be piloting 100% business rates retention, as requested by the group at the October meeting.

3.1.1. The technical consultation on the settlement has set out the methodology used for the calculations to be used and the Provisional Settlement will provide more information. Government is still negotiating with pilot areas on details of the arrangements. The principles underpinning the schemes are that they will be cost neutral and that non-pilot authorities will not be adversely affected.

3.2. In response to follow-up questions DCLG clarified that the pilot areas taking part, and the amending regulations, will be announced and published once the details have been finalised. Different areas will have different arrangements.

3.3. Alan Cross asked for a formal update at the next meeting and DCLG agreed.
Action: DCLG to deliver a formal update on pilot schemes at the next

meeting of the working group, if before the provisional local government finance settlement is published.

4. Verbal update – Analysis of response to the Fair Funding Review Call for Evidence

DCLG provided an overview of responses to the Call for Evidence. There were 209 responses, the majority of which were from local government.

Analysis of responses is ongoing and a summary will be published in due course.

- 4.1.1. DCLG concluded that the responses will feed-in to the Review's first technical consultation which is likely to consider cost drivers for different service areas. This would build on papers the group have been discussing over the last few months. This consultation would enable DCLG to collect the data in time for use in further analysis.
- 4.2. In response to follow-up questions DCLG clarified that the publication date for the next consultation is not yet determined, but that it would likely be open for around 12 weeks.
- 4.3. Dave Shipton asked how the group can feed into the list of cost drivers which will be consulted upon. DCLG responded this depends on the timing, but the papers and work of the group to date will help inform this. DCLG intend for the list to be open without clear recommendations to facilitate engagement with a wide range of ideas.
- 4.4. Dave asked if it would consult on how those drivers should feed into the formulae. DCLG responded that a range of methodologies have been discussed by the group, for example in DCLG's October paper, and views could potentially be sought on these in the next consultation.
- 4.5. Nick Eveleigh asked if the work of the ALATS sub group could help narrow down the list of cost drivers before publication. DCLG responded that it welcomed this work but that it is important to keep open different approaches until the trade-off between different methodologies is given further consideration, given that some respondents to the consultation favoured other approaches.
- 4.6. Geoff Winterbottom asked that any new formulae should be more transparent than at present. Aspects of the formulae were currently obscured by publishing at a tier-level. He suggested that the majority of authorities wanted to be able to determine how changes to the data would directly affect their allocations.
- 4.7. DCLG responded that tier splits reflected the different services delivered by upper and lower tier authorities but agreed that transparency was very important and welcomed input from the group. It also acknowledged that at present damping is separate to distribution and visible, whereas it was integrated into the 4-block model formula.

- 4.8. DCLG added that this would be discussed further by the group, including relevant elements of the 4-block model such as current control total arrangements. Previous methodologies such as when government used Formula Spending Shares or Standard Spending Assessments should also be discussed, as there are useful comparisons here. **Action: Geoff to present a paper on improving the transparency of the tiering process and needs allocations.**
- 4.9. Aivaras Statkevičius pointed out that considering damping and transitional arrangements is a part of the four workstreams which have been agreed by the group, and so will be addressed.
- 4.10. Paul Woods commented that it was important a considered approach be taken for upper tier authorities who deliver complex services such as adult social care, but criticisms by shire districts of complexity and lack of visibility are justified. However the problem could be presentational.
- 4.11. Nikki Bishop asked if there should be a separate approach to lower tier authorities, or different layers. Paul Woods replied that the Environmental, Protective and Cultural Services (EPCS) formula already has layers for tiers and so it could be a simple case of needing clearer explanation, and that there are ways of dealing with complexity without over simplification.
- 4.12. Graham Soulsby stated that there was a limit to desirable simplicity in methodology, and that while it is important to an extent it should not be at the expense of achieving the correct output which needs to be of principal concern. The group should discuss the growing pressures in adult social care and other areas and the possibility that they will absorb more and more of local government funding. This should form part of the discussion around new needs assessment methodologies.
- 4.13. Dave Shipton added that the big blocks were the most important to get right, including adult social care, waste and capital finance.
- 4.14. Alan Cross added that he agreed in principle but that income available to authorities should be a factor and that measuring need around smaller blocks is important to ensure that varying levels of council tax are fully appreciated.
- 4.15. Paul Woods commented that MPs often did not understand resource equalisation and why different authorities receive different allocations as a result. Although he considered this was a necessary layer of complexity it was important to be able to clearly demonstrate fairness.
- 4.16. Nick Eveleigh added that District councils' main concern is transparency and the perceived disconnect between formulae and outcomes. Dave Shipton added that the 4-block model was too difficult to explain. DCLG replied that it recognised there is a consensus not to replicate the four block model although components of the approach should be evaluated.

5. Department for Transport (DfT) Paper – Transport cost drivers (NR TWG 16/23)

- 5.1. Haydn Davies and William Walker presented this paper.
- 5.2. Geoff Winterbottom asked how often DfT survey bus and concessionary fare usage. DfT responded that they survey annually and that last year bus patronage fell by 2 to 3% outside of London. The number of concessionary passes is rising – from 8.8m to 9.9m this year – and the number of journeys is consistent. DfT stated that there is a decline in bus services operated in rural areas due to lack of commercial viability.
- 5.3. Paul Woods commented that the 3 areas of revenue expenditure identified by this paper were appropriate but asked about capital expenditure which is funded through separate DfT grant. Would this be included in business rates, as the quantum of revenue and capital spend in one allocation could give councils more choice. DfT replied that there was a balance to be struck between revenue and capital funding and that value for money should be of principal concern: capital investment can prevent revenue expenditure on repairs.
- 5.4. Paul also stated that the cost of statutory concessionary fares are rising for authorities; authorities are therefore less likely to offer discretionary enhancements.
- 5.5. Paul stated the importance of weighting cost drivers for highways in more densely populated areas. He disagreed with the paper's discussion of rurality as a cost driver of local transport spend as there is generally higher spend in urban areas for different reasons – for example in the north east the latter spend three times as much on, for example, night time services to hospitals. Paul noted that there could be unmet need in rural areas but that statutory services should be recognised first.
- 5.6. James Walton argued that support for bus travel in rural areas was important due to social need, such as school pupils and there is a high cost associated with this. DfT replied that funding for school travel is a concern for Department for Education but acknowledged the cost for authorities.
- 5.7. Dave Shipton argued that the most important cost drivers for highways were the number of miles travelled by HGVs and road length. DfT replied that they agreed with that, and that their paper focussed on likely future cost pressures (such as cost of oil).
- 5.8. Graham Soulsby stated that funding for the National Concessionary Travel Scheme is quite high and should be looked at by the group. It was a good scheme but are there other pressures which might need some of the funding. DfT replied that means testing this scheme would cost more money than it would save but there are sustainability questions with demographic pressures.
- 5.9. Dave Shipton added that councils have no choice in funding concessionary travel and that the needs assessment should take this into account. DCLG replied that this is a separate formula in the current approach and that as it is

statutory funding, it could remain as a separate formulae, while appreciating this retains an element of complexity in the overall approach.

- 5.10. Nikki Bishop stated that this formula does not cause much unhappiness, it performs a good function. Dave Shipton noted that it has not been updated; DCLG replied that no data or formula has been updated since 2013-14. Paul Woods agreed with Nikki that it has a statutory purpose and so warrants a particular approach. **In conclusion the group agreed that concessionary travel should remain a bespoke formula and be updated in due course.**

6. Update of work of the ALATs subgroup – NR TWG 16/22

- 6.1. Aivaras Statkevičius presented this paper.
- 6.2. Paul Woods and Geoff Winterbottom discussed indicators and data available for measuring deprivation, and felt that there was a need for complexity where appropriate. For example, Geoff suggested that the deprivation indicator for children's services should relate to children, whereas the deprivation indicator for older people's social care should relate to older people, although Paul stated that simplification should be tested.
- 6.3. Dave Shipton stated that delivering services for adults with learning disabilities was very expensive for county councils and that there was not an obvious link to deprivation data in the current needs assessment. There should be more join-up. Nikki Bishop replied that this was the same for metropolitan districts.
- 6.4. DCLG raised the issue of local authority and sub-local authority data for mapping pockets of deprivation within local authorities. Time-limiting pressures would make data collection at small levels difficult. David Shipton mentioned the Index of Wellbeing by the local public health team in Kent which could be replicated.
- 6.5. Geoff Winterbottom brought up Universal Credit data and 2012 historic data from Job Seekers Allowance – do these different sets cause problems. DCLG responded that the Office for National Statistics and the Department for Work and Pensions were working on this and partial data from each source is under consideration.

7. DCLG paper - Capital Financing Relative Needs Formula – NR TWG 16/24

- 7.1. DCLG presented this paper, which was prepared with input from Alan Cross and Paul Woods.
- 7.2. Paul Woods replied asking whether current levels of debt (calculations from 2013-14) could be rolled on to 2020 using average rates of interest as a way of mapping 'need' for Capital Financing – this would allow a picture of the remaining quantum of debt. Alan Cross and James Walton agreed. Geoff Winterbottom raised the question of a scaling factor and control totals. DCLG replied that they could do some modelling and present further work in due

course. **Action: DCLG to provide a further paper on capital financing to a future meeting.**

8. AOB

- 8.1. The group discussed future meetings. It was agreed that meetings should continue even during the run-up to the end of the financial year and local authority budget setting. If possible, DCLG should offer two dates per month to help identify the most convenient date for all concerned. It was agreed that should the provisional 2017-18 local government finance settlement be published shortly before or around the next meeting that it should be postponed.
- 8.2. It was agreed that DCLG should try to share the agenda as early as possible to allow forward planning for the next meeting.
- 8.3. It was asked if a paper on 'principles of transition' could be provided. **Action: DCLG to consider when this is possible.**
- 8.4. Paul Woods wanted to log that needs assessment and flooding should be discussed as it needs to be refreshed. He argued that the Belwin scheme is out of date.

Annex A

Attendee	Organisation
Karen Sussex	DCLG
Maxwell Soule	DCLG
Ian Rose	DCLG
Charles Coleman	DCLG
Aivaras Statkevičius (Chair)	Local Government Association (LGA)
Graham Soulsby	
Nikki Bishop	(Society of Municipal Treasurers – confirm)
Martin Mitchell	Greater London Authority
Carla-Marie Heath	City of London
Nick Eveleigh	Society of District Council Treasurers
Geoff Winterbottom	SIGOMA
John Bray	London Councils
Dan Bates	Rural Services Network
Jeff Garfoot	SIGOMA
Paul Woods	North East CA
Dave Shipton (phone)	County Councils Network
Alan Cross (phone)	Society of Unitary Treasurers
David Northey (phone)	Plymouth
James Walton (phone)	
Haydn Davies	Department for Transport
William Walker	Department for Transport